



## Crunch time for Galileo: Will the UK agree to bail out the EU's collapsing satellite project?

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### **Summary:**

The EU Transport Commissioner Jacques Barrot last week called on taxpayers to stump up €2.4 billion to prevent the collapse of the EU's planned satellite navigation programme, Galileo, which has been dogged by delays and ballooning costs since it was first proposed by Neil Kinnock in 1999. The Commission has also admitted for the first time that it plans to use Galileo for military purposes, despite repeated pledges in the past that it would be a wholly civilian project.

A decision will be taken on Galileo's fate at a meeting of EU transport ministers on the 7-8 June. The Commission is proposing that the public sector pay for 18 of the 30 satellites which will (one day) make up the system, and the rest they hope will be financed by future public-private partnerships. Originally, 26 of the satellites were supposed to be financed in part by the EU budget (one third), and in part by the private sector (two thirds).

As well as a question about how much money member states will pump into EU space projects, a second issue on the agenda is who will control future space projects. Insiders suggest that the Commission wants to set up a new unit in DG Enterprise to run not just Galileo, but a number of other space-based projects. This would mean that it would effectively take over the European Space Agency (ESA) – an independent body which includes non-EU member countries.

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### **Over budget and behind schedule**

So far, only one small trial satellite has been launched, in December 2005, in order to maintain the signal frequency, while a second, originally due to go up in August 2006, has remained grounded in Toulouse due to unexplained "technical problems" which have emerged while the financing of the project has stalled.

It was originally hoped that Galileo could be run as a "public-private partnership" with companies footing the bill to build it, in the hope of selling satellite navigation services to commercial users. But in reality there is no commercial market for such services, as the US already provides an equivalent service called GPS for free. The GPS system was originally built for the US military, but is now used by commercial services like car sat-nav systems.

As an executive close to Galileo put it: "The market is just not there. We were too optimistic. GPS is fine for most purposes." Another said, "There is a doubt over the revenues. Why sell Pepsi-Cola when you can get Coca-Cola free?" (FT, 4 May, 15 March)

Fundamentally, the project was always an uneasy compromise between some members who want a military satellite programme independent of the US, and other more free market member states, who insisted that it could only go ahead if it could pay for itself as a commercial venture.

A written answer to a question by Bernard Jenkin MP this week revealed that the UK has already spent over a quarter of a billion euros on the development costs of the project alone.

In total the project has so far cost EU members one billion euros, and is five years behind schedule. The Commission now admits that the project will need an extra €2.4 billion in public funds, found either directly from the EU budget (giving the Commission full control), or from member state governments. However, at a press conference this week EU Transport Commissioner Jacques Barrot played down the huge cost, saying, "€2.4bn, that's €400 million per year, which equals about 400km of motorway."

The [BBC](#) continues to report that the total cost of the project is €4bn. However, Barrot stated last week that that the ballpark costs of Galileo to the taxpayer will be €9-10 billion over the next twenty years (Le Monde, 16 May). Asked by journalists why taxpayers are now being asked to fund a project which industry has decided is not worth the risk, he said: "I don't understand your question... no-one told us to give up on it."

The rationale for the EU system has been further weakened by recent developments elsewhere. China, which had been seen as the biggest market for Galileo's services, has announced its own system, called "Beidou". Russia last week announced that, like the US, it would make its military "Glonass" system available for free. The US is also upgrading its GPS system, and is likely to provide as high-resolution as Galileo from 2013 – a year before Galileo would be ready.

### **Military use of Galileo**

There are also increasing concerns about the military implications of the project. The UK Government has always said Galileo must be a purely civilian project, for civilian use. Europe Minister Geoff Hoon said this week that "the UK will continue to maintain that Galileo is a civil programme under civil control."

However Jacques Barrot last week made it clear that "It will be civilian controlled... but there will be military users". He called, irritably, for an end to what he called "metaphysical questions" about whether or not it will have a military dimension.

Earlier in the month, at a hearing in the European Parliament, experts backed the idea of giving Galileo a military dimension, so that it could become the "backbone" of the European Security and Defence Policy, while the Commission called for space policy initiatives such as Galileo to be linked to the European Defence Agency. Indeed plans are already underway to link Galileo to the European Security and Defence Policy under the auspices of a new, integrated EU space policy. The Commission has issued a communication calling on member states to pool their existing space technology for use by the EU, and develop future resources in tandem.

The Commission's proposal is expected to be endorsed at a meeting of the European Space Council, which brings together the EU and the European Space Agency, on 22 and 23 May. According to Paul Weissenberg, Director at DG Enterprise and Industry's Directorate on aerospace, security and defence equipment, after this date "we may enter a new phase of inter-pillar dialogue", involving cooperation with the European Defence Agency. He said that, for the first time, member states are now "ready to recognise that the times of purely national space policies are over", and for the first time they are "ready for the EU to have a space security dimension." In other words, space policy will be linked explicitly to defence policy for the first time.

### **Galileo and transatlantic relations?**

Some member states, in particular France, seem to be determined to have a system independent of the US, at almost any cost. François Lamoureux, Director General of transport and energy at the European Commission has argued that: "Galileo is the first strategic security infrastructure subject to European Union political control" and will become "an essential element of EU foreign policy." He said "Galileo affirms that European capability shall be no-one's slave." (Agence Europe, 2 March 2005)

Back in 2001 the then EU Research Commissioner Phillipe Busquin said that "Europe cannot accept that fundamental tasks involving precision timing and pinpoint positioning should remain under the defence department of another state even if it is an ally." (Telegraph, 28 April 2001)

Former French President Jacques Chirac went further and claimed in the International Herald Tribune that failing to move ahead on Galileo "would lead inevitably to a vassal status, first scientific and technical and then industrial and economic." (19 December 2001)

The Commission's website states that: "Galileo will underpin the common European defence policy that the Member States have decided to establish. There is no question here of coming into conflict with the United States which is and will remain our ally, but simply a question of putting an end to a situation of dependence... Although designed primarily for civilian applications, Galileo will also give the EU a military capability."

As well as criticising the waste and duplication involved, the US has also been critical of some of the arguments that were being advanced for Galileo by the EU. In particular, the EU was using as a selling point the fact that unlike the US GPS system, which can be turned off for non-US military users, Galileo will not be able to be switched off. This led to a confrontation at a seminar in 2004 in which US officials warned that they would take action to disable the system if it was being used against the US.

The Americans were also concerned that the participation of China, (which joined the project in 2003) would lead to sensitive defence technology leaking to Beijing.

### **The Commission bids to take over space policy**

The Commission is said to be keen to set up a new unit in DG Enterprise to run not just Galileo, but a number of other space-based projects. This would mean that it would gradually take over the European Space Agency – an independent body which includes non-EU member countries.

As well as running Galileo, the new unit might run the planned remote sensing satellite system GMES. In contrast to Galileo, which would provide navigation services, the GMES project is intended to provide real time imaging. The ESA will build the £2 billion system, but it is unclear who will pay its running costs – which are likely to be around £6 billion over the next seven years.

It had been thought that GMES would be handed over to an existing consortium of national meteorological offices known as EUMETSAT. This consortium has experience of running such systems, and currently runs the satellites used to provide weather forecasts. Like ESA, it is precluded from having a military role. However, the EU would prefer to run the system, so that it can also have a “security” role.

Longer term, the EU is keen to take over the functions of the ESA, much as it did the functions of the independent Western European Union once the EU started work on defence. The European Constitution had proposed that the EU should develop a space policy, and from 2007, the EU has started to fund ESA for the first time (rather than just national governments directly).

Running space policy would make it easier for the EU to coordinate various other projects in the pipeline which might use the technology. For example, the EU is keen to get involved in road pricing, and its action programme for 2008 lists regulating “urban transport” as one of its main priorities. Road pricing is one of the few applications which might use Galileo.

### **Will governments go along with it?**

Any EU space policy initiative will have to be endorsed by EU heads of state and government meeting for the summit on 21/22 June. Denmark, which opts out of the ESDP, is reportedly unenthusiastic about extra public funding for Galileo, as is the Netherlands. Former EU Competition Commissioner Karel van Miert last week urged the Netherlands not to be small-minded about the tripling in costs for Galileo after Finance Minister Wouter Bos said he had his “suspicions” about the project. No Dutch companies are involved in its development, and Van Miert told the *Financieele Dagblad* it was time EU member states stopped expecting their companies to be awarded contracts if they part-funded projects. (DutchNews.nl, 18 May)

According to the FT, the UK also has its reservations about Galileo, and the Evening Standard last week reported on a memo sent to the responsible Cabinet committee, which says that UK “has no strategic interest in this project.”

Everything hinges on the forthcoming meetings, and EU governments still have a chance to cut their losses and put an end to the project, since without further public funding from them, it will never get off the ground. Putting “an end” to national space policies, and tying a new EU space policy into the EU’s defence ambitions would be detrimental to the UK’s ability to act independently.